

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201310044**
Release Date: 3/8/2013

Date: December 10, 2012

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = individual
C = scholarship
D = school
E = city/state
x = dollar amount
z = number

UIL

4945.04-04

Dear

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called C.

C provides financial assistance in the form of a scholarship grant to an outstanding science student graduating each year from D in E. The purpose of C is to honor the

legacy of B by making scholarship grants for attendance at a college, university, or other degree-granting institution of higher learning. You do not have any plans to make educational loans.

You will award one x dollars scholarship grant to an outstanding graduating science student per year, distributed equally in four annual installments. Each installment of the grant after the first year will be conditioned upon the student's full time attendance and maintenance of a minimum GPA of z. Additionally, for grants to be renewed, a scholarship recipient must remain in good standing with his or her educational institution.

The selection committee will be composed of three members of the science faculty at D. They will be positioned to assess a given student's eligibility for C and select an annual scholarship grant recipient applying the criteria of C. Each member of the committee will complete a student nomination application for eligible nominees, and the committee as a group will select the annual scholarship grant recipient. The committee will record the reasons for its selection of the scholarship grant recipient over the other nominees in the student nomination application.

Eligible nominees are those top tier science students graduating from D who will attend college full time in pursuit of a four year degree, which need not be a science degree. The top five percent of the seniors attending D will be eligible for a scholarship grant under C. Children or relatives of the your officers, directors, substantial contributors and selection committee members are not eligible for scholarship grants.

The following are specific criteria used to select recipients in order of importance:

- Cumulative GPA and Science GPA
- Number of science courses, including Honors and Advanced Placement
- Applied courses outside of science, including computer science and engineering concepts
- Participation in science clubs and activities
- Other relevant factors as determined by the selection committee

In awarding C, there will be no discrimination based on race, national origin, religion, sexual orientation or gender.

You invite all students nominated for C to your annual award night ceremony where you will announce the recipient of C. After the ceremony, you will send a letter to the recipient formally confirming that person was awarded a scholarship grant under C.

You will only disburse funds to educational institutions and will require such institutions to return those funds if a scholarship recipient drops out of their program. After the first installment, you will condition each subsequent installment of the scholarship grant upon your receipt of a transcript, which will constitute the scholarship grant recipient's annual report.

In the event of a misuse of funds, you will determine if the situation is a mistake and can be corrected and then take appropriate action. Under certain circumstances, you will revoke the scholarship and cease making further installments.

You will maintain case histories, which will be composed of the student nomination application and the annual transcripts obtained by you, in respect of each grant recipient. The student nomination application will record the name and address of each nominee being considered for a scholarship grant, the information relied upon by the selection committee to determine eligibility, and the criteria upon which the committee to select scholarship recipients. The student nomination application also will require confirmation that the nominee bears no relationship to the officers, directors, substantial contributors to you, or member of the selection committee.

You expect to maintain these records for a period of at least four years after the time the scholarship recipient has graduated from (or failed to remain enrolled in) the school he or she attended. You will periodically review its case histories to evaluate the effectiveness of C.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Office of Exempt Organizations at:

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements